



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENRY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HENRY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Henry County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$190,532 from the prior fiscal year, resulting in a cash surplus of \$3,164,681 as of June 30, 2000. Revenues decreased by \$169,896 from the prior year and disbursements decreased by \$206,247.

Debt Obligations:

Capital lease principal agreements totaled \$367,134 as of June 30, 2000. Future principal and interest payments of \$508,776 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

Report Comment:

- Purchase Order System Not Used

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Henry County Judge/Executive
Members of the Henry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Henry County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Henry County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Henry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions as of June 30, 2000, of Henry County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Henry County Judge/Executive
Members of the Henry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2001, on our consideration of Henry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- Purchase Order System Not Used

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Henry County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 31, 2001

HENRY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Tommy Bryant	County Judge/Executive
John Allgeier	Magistrate
David Brown	Magistrate
Mike Fisher	Magistrate
Wayne Gunnell	Magistrate
Jerry Beasley	Magistrate
Cecil McCarty	Magistrate

Other Elected Officials:

Virginia Harrod	County Attorney
Neil Stivers	Jailer
Rhonda M. Carpenter	County Clerk
G. R. Downey	Sheriff
Jason Scriber	Property Valuation Administrator
James Pollard	Coroner

Appointed Personnel:

Mary Scriber	County Treasurer
Judy Roberts	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HENRY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash \$ 1,451,600

Road and Bridge Fund:

Cash 1,248,762

Jail Fund:

Cash 25,099

Local Government Economic Assistance Fund:

Cash 58,497

Fair Fund:

Cash 44,632

Payroll Revolving Account - Cash 68,507 \$ 2,897,097

Debt Service Fund Type

Revolving Loan Fund:

Cash 336,091

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Capital

Lease Obligation - Principal Payments (Note 5) 367,134

Total Assets and Other Resources \$ 3,600,322

The accompanying notes are an integral part of the financial statements.

HENRY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Obligation - Principal Payments (Note 5)	\$	367,134	
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Payroll Revolving Account - Cash		<u>68,507</u>	\$ 435,641
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Debt Service Fund Types

Revolving Loan Fund:

Loan Payable (Note 4)			156,084
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Fund Balances

Reserved:

Debt Service Fund Type

Revolving Loan Fund			180,007
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Unreserved:

General Fund Type

General Fund	\$	1,451,600	
Road and Bridge Fund		1,248,762	
Jail Fund		25,099	
Local Government Economic Assistance Fund		58,497	
Fair Fund		<u>44,632</u>	<u>2,828,590</u>

Total Liabilities and Fund Balances			<u>\$ 3,600,322</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HENRY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,207,102	\$ 2,006,114	\$ 1,027,808	\$ 109,012
Total Cash Receipts	\$ 3,207,102	\$ 2,006,114	\$ 1,027,808	\$ 109,012
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,008,704	\$ 1,894,326	\$ 726,830	\$ 321,366
Capital Lease Principal	7,866	7,866		
Total Cash Disbursements	\$ 3,016,570	\$ 1,902,192	\$ 726,830	\$ 321,366
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 190,532	\$ 103,922	\$ 300,978	\$ (212,354)
Other Financing Sources (Uses)				
Transfers In	230,000			230,000
Transfers Out	(230,000)	(230,000)		
Total Other Financing Sources (Uses)	\$	\$ (230,000)	\$	\$ 230,000
Cash Balance - July 1, 1999	2,974,149	1,577,678	947,784	7,453
Cash Balance - June 30, 2000	\$ 3,164,681	\$ 1,451,600	\$ 1,248,762	\$ 25,099

The accompanying notes are an integral part of the financial statements.

HENRY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Types	
Local Government Economic Assistance Fund	Fair Fund
\$ 33,497	\$ 9,126
<u>\$ 33,497</u>	<u>\$ 9,126</u>
\$ 26,620	\$ 5,603
<u>\$ 26,620</u>	<u>\$ 5,603</u>
\$ 6,877	\$ 3,523
<u>\$</u>	<u>\$</u>
51,620	41,109
<u>\$ 58,497</u>	<u>\$ 44,632</u>

The accompanying notes are an integral part of the financial statements.

HENRY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	<u>Debt Service Fund Type</u>
<u>Cash Receipts</u>	<u>Revolving Loan Fund</u>
Schedule of Operating Revenue	\$ 21,545
Total Cash Receipts	<u>\$ 21,545</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 33,959
Capital Lease Principal	
Total Cash Disbursements	<u>\$ 33,959</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (12,414)
Other Financing Sources (Uses)	
Transfers In	
Transfers Out	
Total Other Financing Sources (Uses)	
Cash Balance - July 1, 1999	<u>348,505</u>
Cash Balance - June 30, 2000	<u><u>\$ 336,091</u></u>

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Henry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Henry County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Henry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Henry County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Henry County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and the Fair Fund.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Revolving Loan Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Henry County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Library is considered a related organization of Henry County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt

Henry County has entered into a loan agreement with the Kentucky Infrastructure Authority. The terms of the loan are 3.00 percent interest on the unpaid balance with semiannual payments due June 1 and December 1 of each year, beginning December 1, 1992. The loan is to be paid in full June 1, 2007. The principal balance of the loan is \$156,084 as of June 30, 2000. The following table shows scheduled interest and principal amounts due during the next five years and thereafter.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
12/1/2000	\$ 2,341	\$ 10,102
6/1/2001	2,190	10,254
12/1/2001	2,036	10,408
6/1/2002	1,880	10,564
12/1/2002	1,721	10,722
6/1/2003	1,561	10,883
12/1/2003	1,397	11,046
6/1/2004	1,232	11,212
12/1/2004	1,063	11,380
6/1/2005	893	11,551
Thereafter	<u>1,812</u>	<u>47,962</u>
Totals	<u>\$ 18,126</u>	<u>\$ 156,084</u>

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Capital Lease Agreement:

The county has entered into a capital lease for the purpose of purchasing the Courthouse Annex county office building and land. The terms of the lease are 3.72 percent interest on the unpaid balance with monthly payments due the 20th of each month, beginning December 20, 1999. The lease is to be paid in full February 20, 2019. The principal balance on the lease is \$367,134 as of June 30, 2000. The following table shows scheduled interest and principal amounts due during the next five years and thereafter.

Due During Year Ended	Scheduled Interest	Scheduled Principal
June 30, 2001	\$ 12,414	\$ 13,888
June 30, 2002	12,897	14,413
June 30, 2003	12,351	14,958
June 30, 2004	11,785	15,525
June 30, 2005	11,198	16,112
Thereafter	80,997	292,238
Totals	<u>\$ 141,642</u>	<u>\$ 367,134</u>

Note 6. Insurance

For the fiscal year ended June 30, 2000, Henry County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HENRY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,824,171	\$ 2,006,114	\$ 181,943
Road and Bridge Fund	749,639	1,027,808	278,169
Jail Fund	90,856	109,012	18,156
Local Government Economic Assistance Fund	24,256	33,497	9,241
Fair Fund	8,000	9,126	1,126
<u>Debt Service Fund Type</u>			
Revolving Loan Fund	<u>20,000</u>	<u>21,545</u>	<u>1,545</u>
Totals	<u>\$ 2,716,922</u>	<u>\$ 3,207,102</u>	<u>\$ 490,180</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,716,922
Add: Budgeted Prior Year Surplus			<u>1,334,969</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,051,891</u>

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SCHEDULE OF OPERATING REVENUE

HENRY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)	General Fund Type	Debt Service Fund Type
<u>REVENUE:</u>			
Taxes	\$ 851,933	\$ 851,933	\$
Excess Fees	145,048	145,048	
License and Permits	90,758	90,758	
Intergovernmental Revenues	1,116,551	1,116,551	
Charges for Services	92,342	92,342	
Miscellaneous Revenues	743,244	743,244	
Interest Earned	167,226	145,681	21,545
Total Operating Revenue	<u>\$ 3,207,102</u>	<u>\$ 3,185,557</u>	<u>\$ 21,545</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HENRY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,367,312	\$ 906,047	\$ 461,265
Protection to Persons and Property	346,410	718,899	(372,489)
General Health and Sanitation	58,100	82,684	(24,584)
Social Services	29,000	26,592	2,408
Recreation and Culture	160,704	91,612	69,092
Roads	794,965	637,794	157,171
Capital Projects	652,134	110,004	542,130
Administration	598,400	401,113	197,287
Total Operating Budget-All General Fund Types	\$ 4,007,025	\$ 2,974,745	\$ 1,032,280
Other Financing Uses- Capital Lease Pricipal	7,866	7,866	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 4,014,891</u>	<u>\$ 2,982,611</u>	<u>\$ 1,032,280</u>
	DEBT SERVICE FUND TYPE		
Administration	\$ 37,000	\$ 33,959	\$ 3,041
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 37,000</u>	<u>\$ 33,959</u>	<u>\$ 3,041</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Henry County Judge/Executive
Members of the Henry County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Henry County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated May 31, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Henry County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comment and recommendation.

- Purchase Order System Not Used

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 31, 2001

COMMENT AND RECOMMENDATION

HENRY COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

NONCOMPLIANCE

Purchase Order System Not Used

The Fiscal Court does not use a purchase order system as required by the Department of Local Government (DLG). We recommend the Fiscal Court use a purchase order system as required by DLG and described in the Instructional Guide For County Budget Preparation & State Local Finance Officer Policy Manual.

County Judge/Executive's Response:

We will begin use of the purchase order system as soon as possible.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

HENRY COUNTY FISCAL COURT

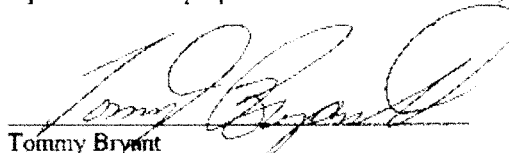
Fiscal Year Ended June 30, 2000

Appendix A

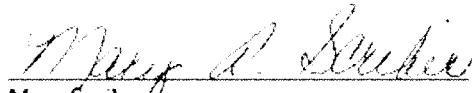
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HENRY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Henry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Tommy Bryant
County Judge/Executive



Mary Scriber
County Treasurer